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C O N F I D E N T I A L SECTION 01 OF 02 ANKARA 001589

SIPDIS

DEPARTMENT FOR S/EEE RICHARD MORNINGSTAR
DOE FOR JOHN ELKIND, LANA EKIMOFF

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SUBJECT: DOE DEP SEC PONEMAN VISIT: TURKS POSITIVE ON
SOUTHERN CORRIDOR AND RENEWABLES

REF: ANKARA 1566

Classified By: DCM Doug Silliman for reasons 1.4 (b,d).

11. (C) Summary: In separate meetings with Minister of Energy Yildiz and BOTAS Acting Director General Konuk, DoE Deputy Secretary Poneman stressed U.S. support for the Southern Corridor and the urgent need to resolve negotiations with the Azeris to make the Corridor a reality. Both Yildiz and Konuk expressed support for the Corridor and said they believed the remaining issues were close to being resolved. Industry representatives showed confidence in Nabucco but stressed the need for Iraqi gas to feed the pipeline along with Azeri gas. The deputy secretary shared a non-paper on a new framework for international nuclear fuel services to Turkish Atomic Energy Authority Acting President Alper and also invited him to deepen cooperation on Second Line of Defense. TAEK is currently reviewing the effectiveness of its own portal monitors and, depending on the outcome, might consider additional collaboration with DoE in this field. Regarding renewable energy, Minister Yildiz noted a wide range of opportunities for private sector cooperation, while industry representatives called for investment in the grid and increased feed-in tariffs as incentives for more renewable power generation. Deputy Secretary Poneman also indicated that DOE hopes to hold an energy efficiency conference in Istanbul in June 2010. End summary.

Turkey Positive on Turk-Azeri Negotiations and Nabucco

12. (C) In his meeting with Minister of Energy Yildiz, Deputy Secretary Poneman stressed the great importance the U.S. places on its relationship with Turkey on a range of energy and strategic issues. He stressed the U.S. commitment to making the Southern Corridor a reality and the concern that the longer the process drags, the less confidence it signals to investors. Minister Yildiz said that following the signing of the Nabucco Intergovernmental Agreement (IGA) in July, energy activity increased in the region: Turkey has signed agreements or been in talks with Russia, Georgia, Iran, Iraq, Syria and Qatar. Yildiz said Turkey wants to be proactive on energy matters, not passive or reactive, and it will guard its own interests but also be mindful of the impact on the region and the world.

13. (C) Summarizing the status of negotiations with Azerbaijan on Shah Deniz (SD) phase 1 and phase 2, Yildiz said in the latest round Turkey made a positive offer that addressed both countries' needs, although he commented that "Azerbaijan is a country to be cautious of." Yildiz added that the strategic value of the Southern Corridor is greater than the benefits to the two countries. For these reasons, he said, Turkey is being very positive toward Nabucco but also toward the Interconnector for Turkey-Greece-Italy (ITGI). (Note: Yildiz had just come from a meeting with Edison Energy, the Italian

lead promoter of ITGI. End note.)

¶4. (C) Acting Director General Mehmet Konuk of the State Pipeline Company (BOTAS) gave Deputy Secretary Poneman a similarly positive outlook on the negotiations with Azerbaijan. The deputy secretary said that it was impossible to reconcile what he had heard in Ankara and in Baku, where there was significant concern about the status of negotiations. Konuk responded that it was natural that parties' evaluations of a project would differ, but it was a "known fact" that all parties in this case aim to deploy resources to connect supply to demand. Both Turks and Azeris know Azerbaijan needs its gas to flow west. Konuk noted that demand for gas is growing in both Turkey and Europe, and "if demand and supply are there, the negotiations will be resolved."

¶5. (C) At a lunch hosted by the oil and gas companies' association PETFORM, company representatives also expressed confidence in Nabucco. Both OMV General Manager Oktay Sen and E.ON General Manager Cenk Pala, however, stressed the need for Iraqi gas to feed the project along with Azeri gas. Urging U.S. support, Pala said giant reserves in the south and west of Iraq, not just in the north, should be tapped.

¶6. (C) COMMENT: While Poneman's interlocutors painted a rosy picture that the technical issues in the Turk-Azeri negotiations are close to resolution, assuaging Azeri angst about Turkey's rapprochement with Armenia also may be necessary to finalize the negotiations. In an October 15 meeting with embassy econ counselor (reftel), Undersecretary of Energy Kilci said the Turkey-Azeri negotiation process was

ANKARA 00001589 002 OF 002

stalled due to "political issues," alluding to Nagorno-Karabakh and the recent protocol signing with Armenia. End comment.

TAEK May Reconsider Further SLD Cooperation

¶7. (SBU) In a meeting at the Turkish Atomic Energy Authority (TAEK) Acting President Zafer Alper, Deputy Secretary Poneman underscored the importance of nuclear energy and nuclear security for the Obama administration. Poneman shared a non-paper on a new framework for international nuclear fuel services and emphasized the need to assure nuclear fuel supplies to support the growth of nuclear power. While the concept of "cradle-to-grave fuel services" is still new, Poneman said, this approach will support the market for nuclear energy. Deputy Secretary Poneman also invited the GoT to send a representative to the upcoming meeting of Global Nuclear Energy Partnership countries in Beijing. Alper noted that Turkey remains an observer in GNEP and said the GoT was still deliberating its level of participation for the Beijing meeting.

¶8. (C) Noting Turkey's strategic location and existing close bilateral cooperation on nonproliferation issues, the deputy secretary offered to deepen bilateral cooperation further through DoE's Second Line of Defense (SLD) initiative. Alper acknowledged the long-standing partnership between TAEK and SLD, including placement of nuclear detection portal monitors since 2001. He said there continues to be good cooperation, but that TAEK decided to develop its own portal monitors and has provided these to Turkish Customs. Alper said TAEK is currently reviewing the monitors' effectiveness and, depending on the outcome of that review, might consider additional collaboration with DoE in this field.

Increased Feed-In Tariffs and Grid Investment Needed for Renewables Expansion

¶9. (SBU) At the Ministry of Energy and at a roundtable meeting hosted by the WindPower and Hydropower Plants

Businessmen's Association (RESSIAD), Deputy Secretary Poneman stressed U.S. support for Turkey's efforts to expand power generation from renewable sources. Minister Yildiz noted the great demand for renewable energy projects in Turkey, particularly for wind projects, and said the field presents a wide range of opportunities for private sector cooperation. At the roundtable, industry representatives described projects they have underway. RESSIAD President Tolga Bilgen said Turkey needs investment in its power grid in order to allow any significant expansion of renewables use, but no major investment is being made at this time. Several company representatives said the government also will have to raise feed-in tariffs in order to achieve much of an increase in renewable energy projects. (Note: A bill to raise feed-in tariffs was pulled from the legislative agenda in July due to GoT concerns about its cost. A revised bill is being drafted, but has not yet been submitted. End note.)

110. (U) Deputy Secretary Poneman reviewed this text prior to transmission.

JEFFREY

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